

**SOUTHWEST KANSAS
EDUCATIONAL CONSORTIUM
INTERLOCAL #625**

**FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2014**

**VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550**

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
INTERLOCAL #625

Financial Statement
Regulatory Basis
For the Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Southwest Kansas Educational Consortium
Interlocal #625
Meade, KS 67864

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas, a municipality, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The graphical analysis (Schedule 3 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the financial statement nor required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated January 30, 2015. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas

January 30, 2015

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
INTERLOCAL #625
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2014

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>
General Funds:		
General Fund	\$ 143,617.50	\$ 0.00
Special Purpose Funds:		
Capital Outlay Fund	<u>69.22</u>	<u>0.00</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 143,686.72</u>	<u>0.00</u>
Composition of Cash:		

The notes to the financial statement are an integral part of this statement.

<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 565,497.17	\$ 377,168.44	\$ 331,946.23	\$ 0.00	\$ 331,946.23
<u>0.00</u>	<u>657,531.50</u>	<u>(657,462.28)</u>	<u>657,531.50</u>	<u>69.22</u>
<u>\$ 565,497.17</u>	<u>\$ 1,034,699.94</u>	<u>(325,516.05)</u>	<u>\$ 657,531.50</u>	<u>\$ 332,015.45</u>
		NOW Account		\$ 331,515.45
		Petty Cash		<u>500.00</u>
	Total Reporting Entity (Excluding Agency Funds)			<u>\$ 332,015.45</u>

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
NOTES TO THE FINANCIAL STATEMENT
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Southwest Kansas Educational Consortium (Consortium) was established in accordance with Article 29 - Interlocal Corporation K.S.A.12.2901-12.2908 and 72.8230 on December 28, 1989. The Consortium was formed to establish and maintain a two-way interactive educational television service among the respective member school districts. The Governing Board is composed of one school district board member from each of the member districts. The Board constitutes an on-going entity and is the level of government which has governance responsibilities over all activities allowed under Kansas Statute. The Board receives funding from local, state and federal government sources and must comply with the accompanying requirements of these funding source entities. Board members are elected by the representing school districts and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for all fiscal matters. Southwest Kansas Educational Consortium has no related municipal entities as of June 30, 2014.

B. REGULATORY BASIS FUND TYPES

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Consortium has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of a checking account and an interest bearing checking account. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. REIMBURSED EXPENSES

The Consortium records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

F. USE OF ESTIMATES

The preparation of the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

The Consortium prepares a budget annually of receipts and expenditures for use by the Board, management and the Kansas State Department of Education. The Consortium is not required to publish a budget as it is not a tax levying unit. Therefore, the Consortium is not subject to budgetary law.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

The Capital Outlay Fund showed a negative ending unencumbered cash balance of \$657,462.28 for the year ending June 30, 2014. K.S.A. 10-1116 provides that under certain situations, a fund can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis law of the State of Kansas. This fund met the criteria under the statutes, and therefore, is not deemed to be in violation of the Kansas cash basis law. The Consortium will receive a federal grant and fees from the participating Districts during the year ended June 30, 2015.

Note 4 - DEPOSITS

K.S.A. 9-1401 established the depositories which may be used by the Consortium. The statute requires banks eligible to hold the Consortium's funds have a main or branch bank in the county in which the Consortium is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC Coverage. The Consortium has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Consortium's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Consortium has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Consortium may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Consortium's deposits may not be returned to it. State statutes require the Consortium's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at June 30, 2014.

At June 30, 2014 the Consortium's carrying amount of deposits was \$332,015.45 and the bank balance was \$336,642.95. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,259.64 was covered by federal depository insurance, and \$86,383.31 was collateralized with securities held by the pledging financial institution's agents in the Consortium's name.

Note 5 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences. The Consortium grants all full-time twelve month employees vacation days. Accrued vacation time is not paid to these employees in the event of termination. These days are non-accumulative past June 30th, therefore, there is no potential liability for vacation leave as of June 30, 2014.

At the beginning of the school year, each employee will be credited with ten days of sick leave, the unused portion of which shall accumulate up to a maximum of sixty days. The employee may use all or any portion of their leave for personal illness or disability. Accumulated sick days are not paid in the event of termination, therefore, there is no potential liability for sick leave as of June 30, 2014.

At the beginning of the school year, each employee will be credited with five days of personal leave, non-cumulative. The employee must have personal leave approved or denied by the administration and are to be used for personal matters that cannot be taken care of at any other time than school contracted time. Personal days are not paid in the event of termination, therefore, there is no potential liability for personal leave as of June 30, 2014.

Note 6 - DEFINED BENEFIT PENSION PLAN

Plan description . The Consortium participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 7-4901, etc. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share.

Note 7 - RISK MANAGEMENT

The Consortium is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The Consortium does not participate in a public entity risk pool.

Note 8 - LEASE COMMITMENTS

Operating Leases:

The Consortium entered into an agreement with United Wireless on February 21, 2014 to provide fiber optics and internet to the Consortium's office and participating schools for a monthly fee. This agreement is contingent upon sufficient participation by the participating schools. For the year ended June 30, 2014 rent expenditures were \$97,107.28. These expenditures were made from the General Fund.

Note 8 - LEASE COMMITMENTS (Cont'd.)

The Consortium has entered into an operating lease for a postage machine which contains cancellation provisions and is subject to annual appropriations. For the year ended June 30, 2014 rent expenditures were \$421.64. These expenditures were made from the General Fund.

Note 9 - SUBSEQUENT EVENTS

The Consortium has evaluated events subsequent to year end through January 30, 2015, and does not believe any events have occurred which affect the financial statement as presented.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

<u>Funds *</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>
General Funds:		
General Fund	\$ 424,349.00	\$ 0.00
Special Purpose Funds:		
Capital Outlay Fund	0.00	0.00

* - These funds are exempt from the budget law per Kansas statute.

Schedule 1

<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
\$ 424,349.00	\$ 377,168.44	\$ (47,180.56)
0.00	657,531.50	657,531.50

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
INTERLOCAL #625
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2014

(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

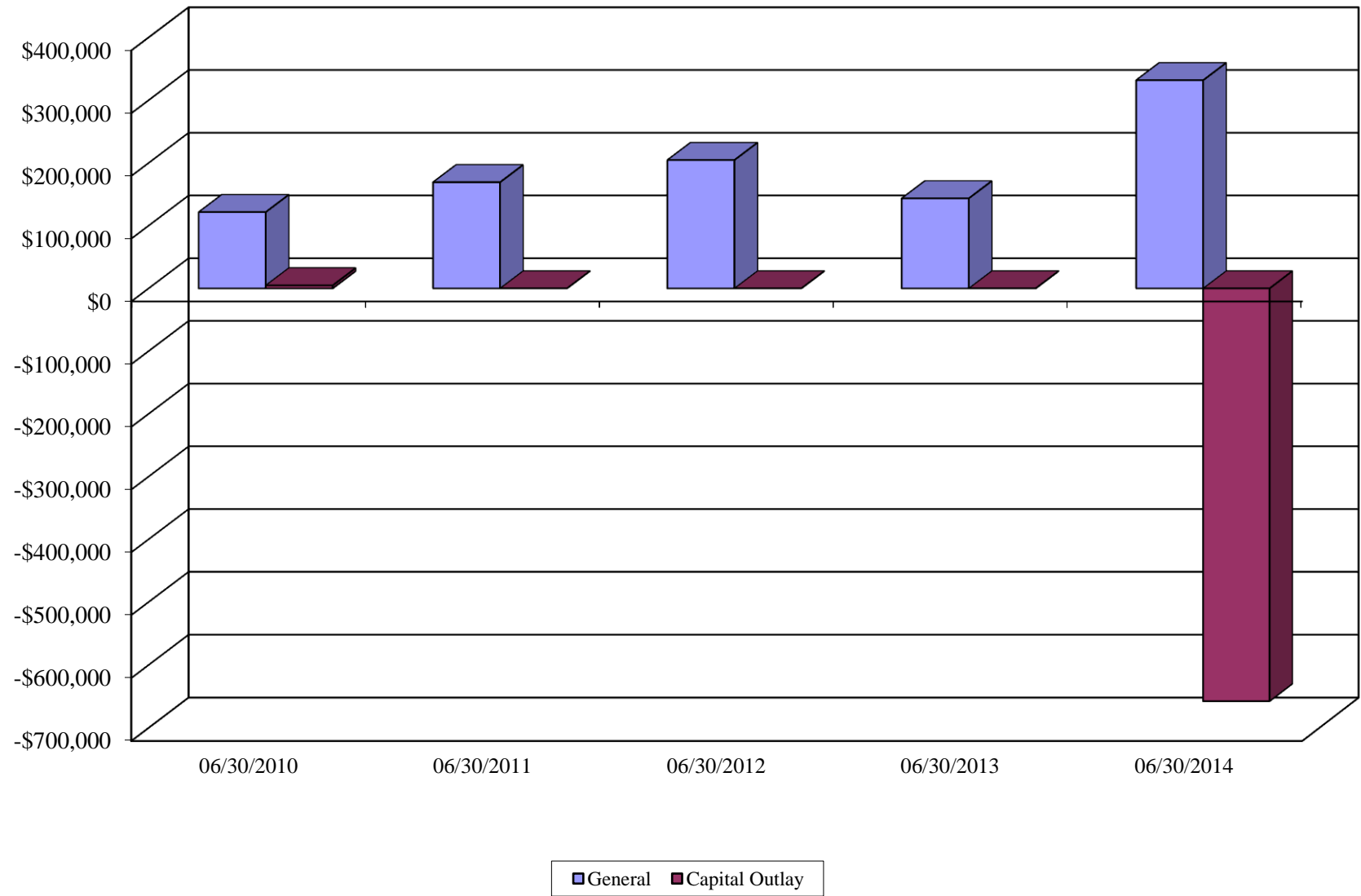
		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Local Sources:				
Payment from Districts	\$ 330,525.00	\$ 316,954.00	\$ 235,164.00	\$ 81,790.00
Interest on Idle Funds	1,364.65	1,368.83	1,500.00	(131.17)
Reimbursements	75,454.27	62,961.11	53,208.00	9,753.11
E-Rate Reimbursement	1,909.68	184,213.23	240,872.00	(56,658.77)
Total Cash Receipts	<u>409,253.60</u>	<u>565,497.17</u>	<u>\$ 530,744.00</u>	<u>\$ 34,753.17</u>
Expenditures				
Instruction:				
Salaries	142,015.89	134,313.90	139,500.00	(5,186.10)
Employee Benefits	18,030.81	17,483.73	20,200.00	(2,716.27)
Purchased Professional Services	192,029.32	98,842.32	125,500.00	(26,657.68)
Supplies	4,609.83	3,190.72	5,000.00	(1,809.28)
Property (Equip & Furn)	2,297.05	299.00	2,000.00	(1,701.00)
Other	0.00	39.76	200.00	(160.24)
General Administration:				
Salaries	44,215.00	44,979.50	70,569.00	(25,589.50)
Employee Benefits	7,588.01	8,814.23	10,880.00	(2,065.77)
Purchased Professional Services	4,165.32	0.00	6,200.00	(6,200.00)
Other Purchased Services	17,119.59	31,230.45	18,800.00	12,430.45
Supplies	1,636.44	2,314.01	2,000.00	314.01
Other	3,184.50	2,695.59	5,000.00	(2,304.41)
Operations & Maintenance:				
Salaries	29,000.00	28,476.67	0.00	28,476.67
Purchased Property Services	1,526.02	1,736.34	3,000.00	(1,263.66)
Other Purchased Services	1,350.00	1,536.00	1,500.00	36.00
Supplies	1,595.34	1,216.22	4,000.00	(2,783.78)
Other	<u>0.00</u>	<u>0.00</u>	<u>10,000.00</u>	<u>(10,000.00)</u>
Total Expenditures	<u>470,363.12</u>	<u>377,168.44</u>	<u>\$ 424,349.00</u>	<u>\$ (47,180.56)</u>
Cash Receipts Over (Under) Expenditures	(61,109.52)	188,328.73		
Unencumbered Cash, Beginning	<u>204,727.02</u>	<u>143,617.50</u>		
Unencumbered Cash, Ending	<u>\$ 143,617.50</u>	<u>\$ 331,946.23</u>		

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
INTERLOCAL #625
CAPITAL OUTLAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

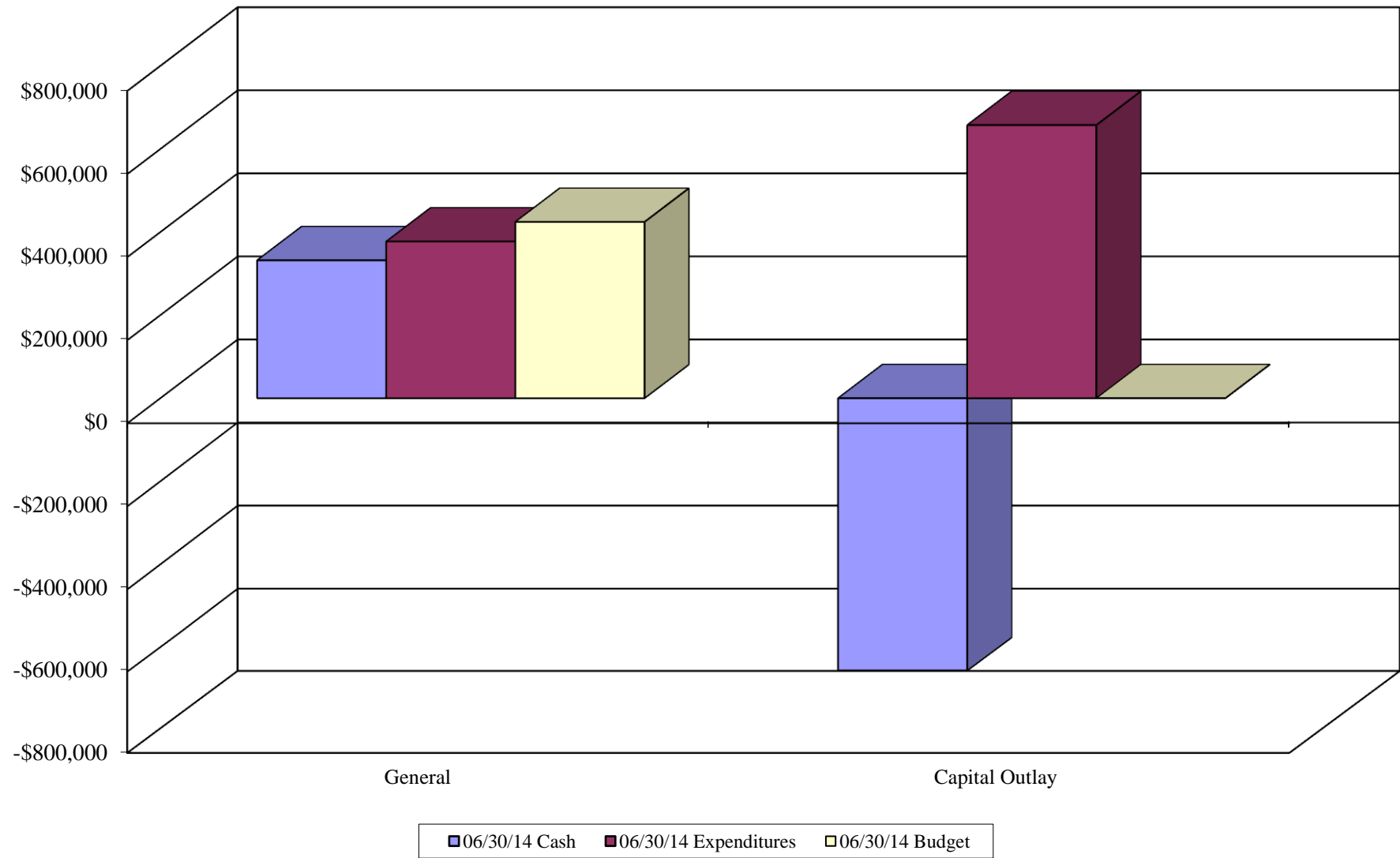
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
None	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Cash Receipts	0.00	0.00	\$ 0.00	\$ 0.00
Expenditures				
Instruction:				
Property (Equip & Furn)	0.00	657,531.50	0.00	657,531.50
Total Expenditures	0.00	657,531.50	\$ 0.00	\$ 657,531.50
Cash Receipts Over (Under) Expenditures	0.00	(657,531.50)		
Unencumbered Cash, Beginning	69.22	69.22		
Unencumbered Cash, Ending	\$ 69.22	\$ (657,462.28)	(See Note 3)	

SUPPLEMENTARY INFORMATION

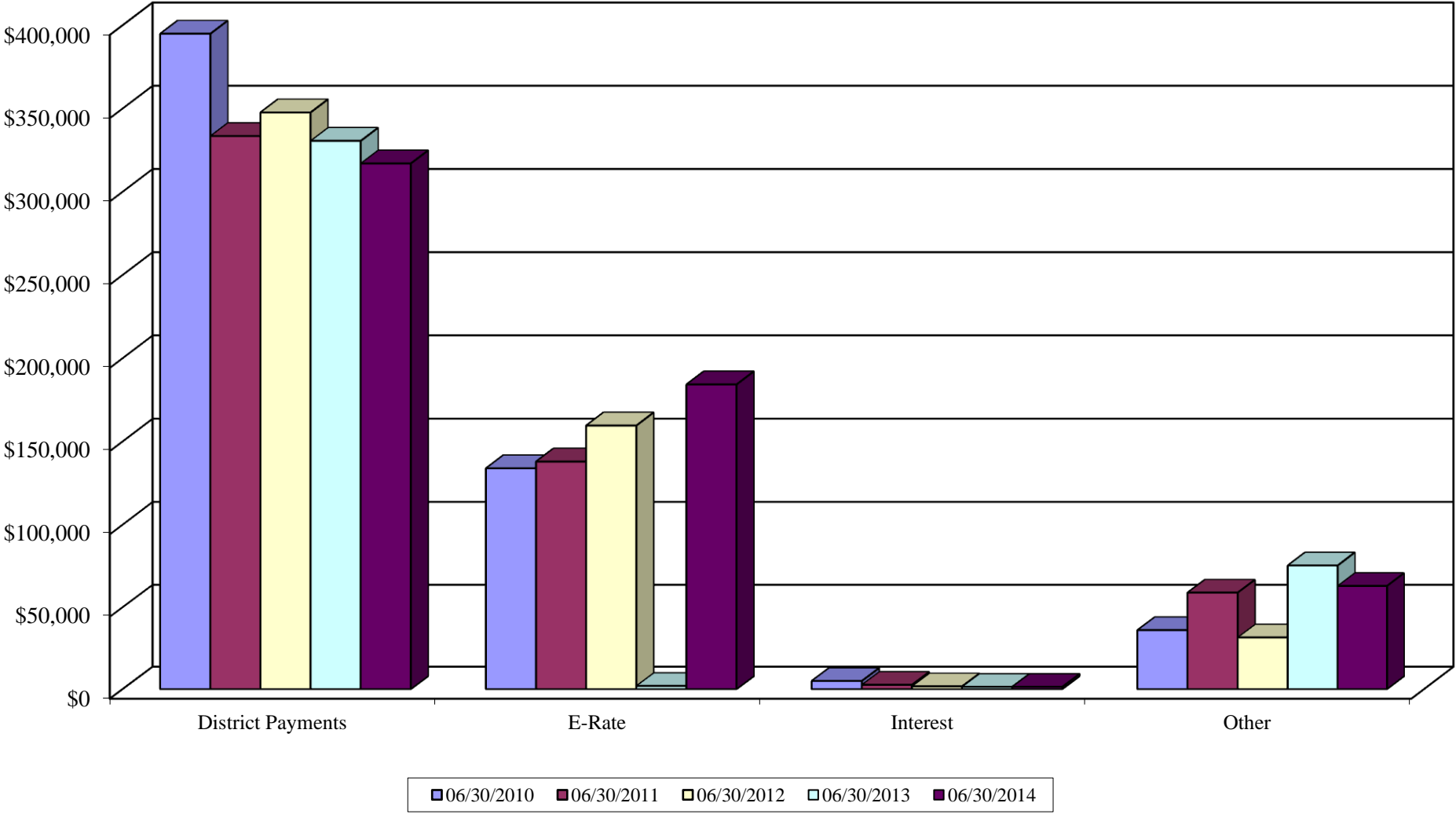
SWKEC Interlocal #625
Meade, Kansas
Unencumbered Cash Balances



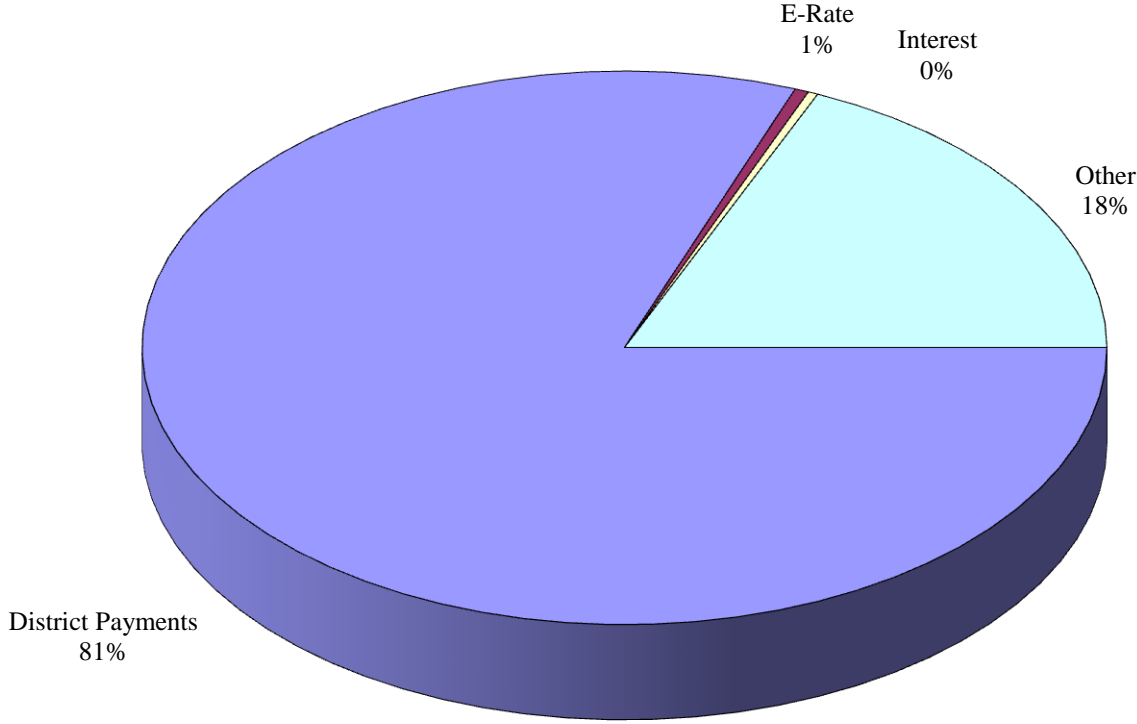
SWKEC Interlocal #625
Meade, Kansas
Unencumbered Cash Compared to Expenditures



SWKEC Interlocal #625
Meade, Kansas
General Fund Receipts

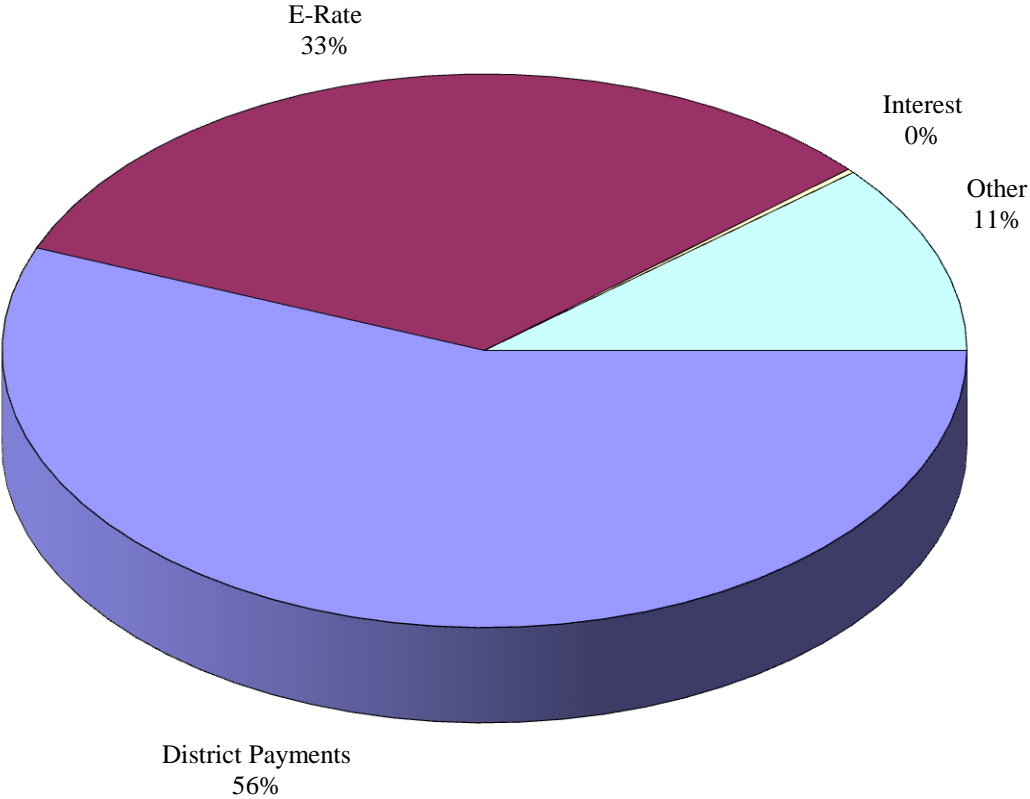


**SWKEC Interlocal #625
Meade, Kansas
General Fund Receipts**



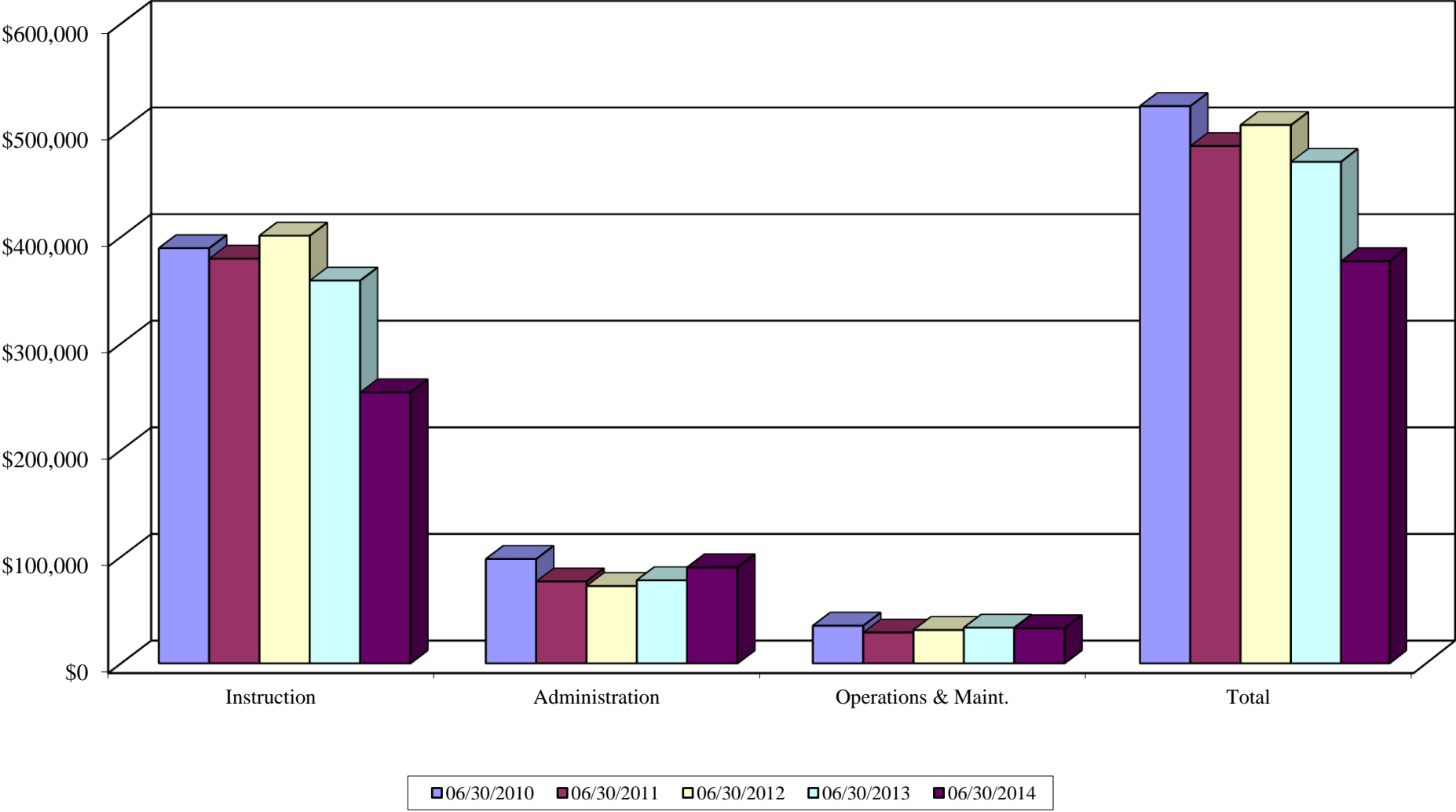
06/30/2013

**SWKEC Interlocal #625
Meade, Kansas
General Fund Receipts**

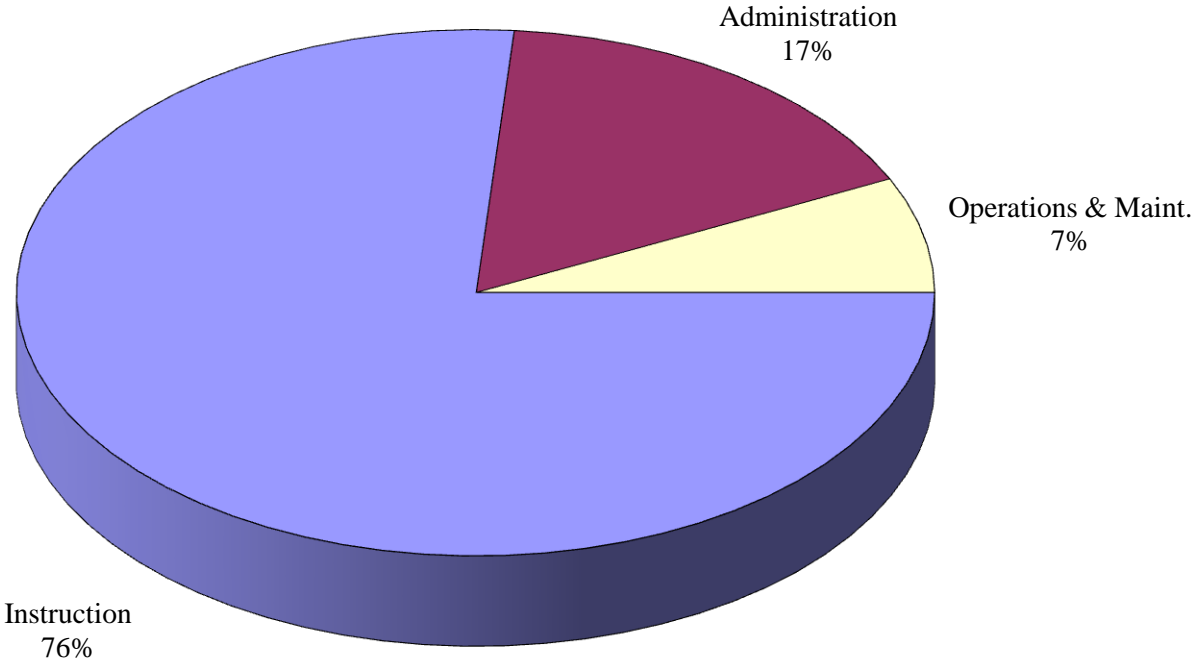


06/30/2014

**SWKEC Interlocal #625
Meade, Kansas
General Fund Expenditures**

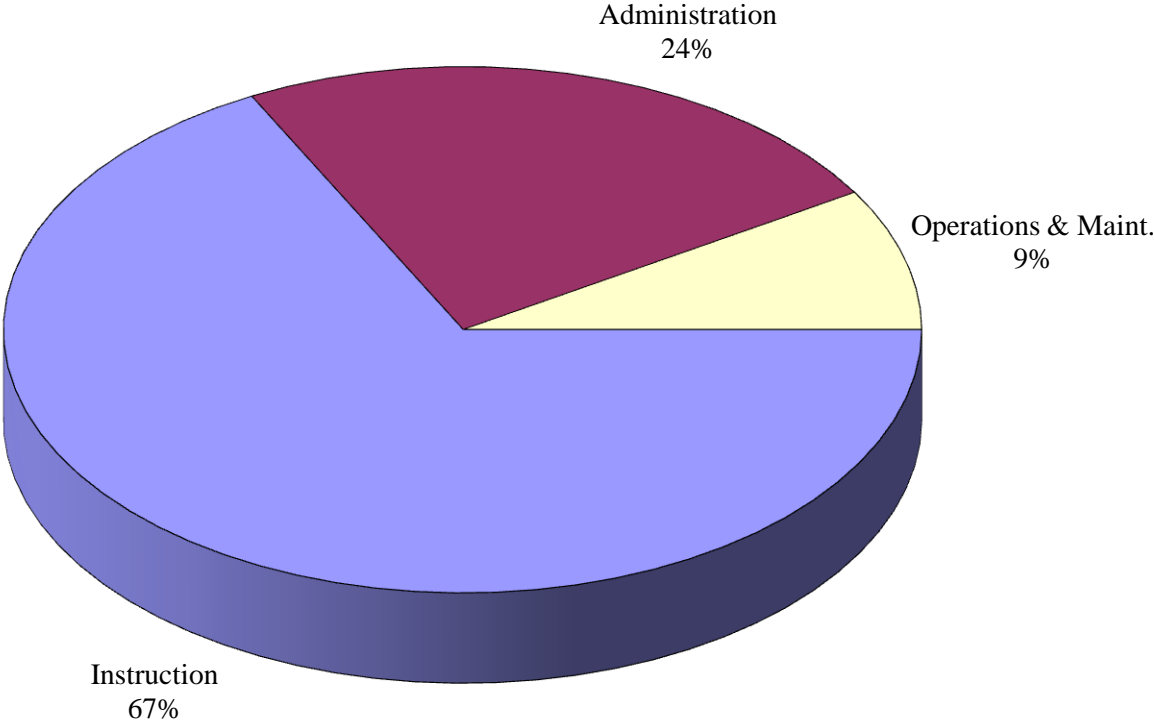


**SWKEC Interlocal #625
Meade, Kansas
General Fund Expenditures**



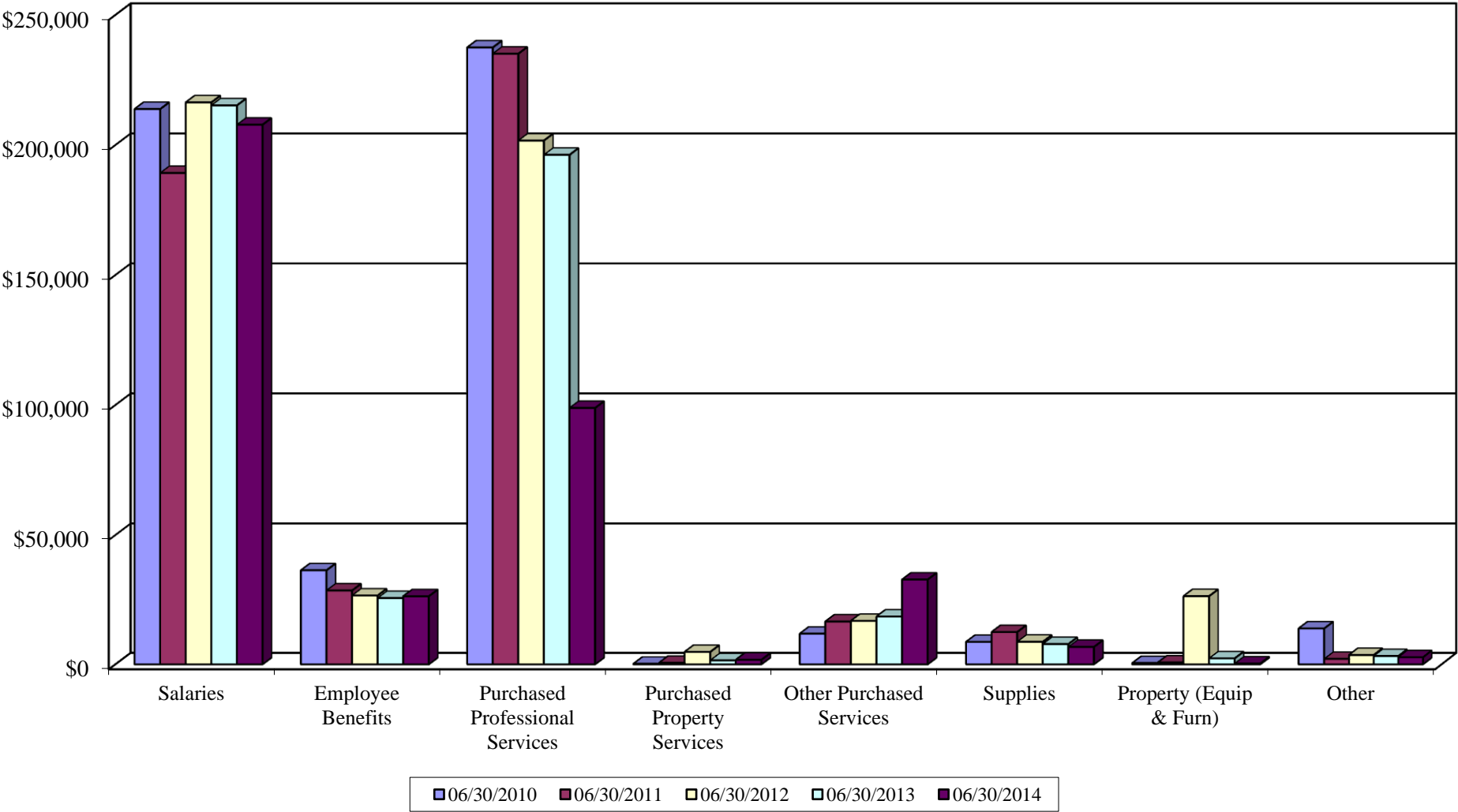
06/30/2013

**SWKEC Interlocal #625
Meade, Kansas
General Fund Expenditures**

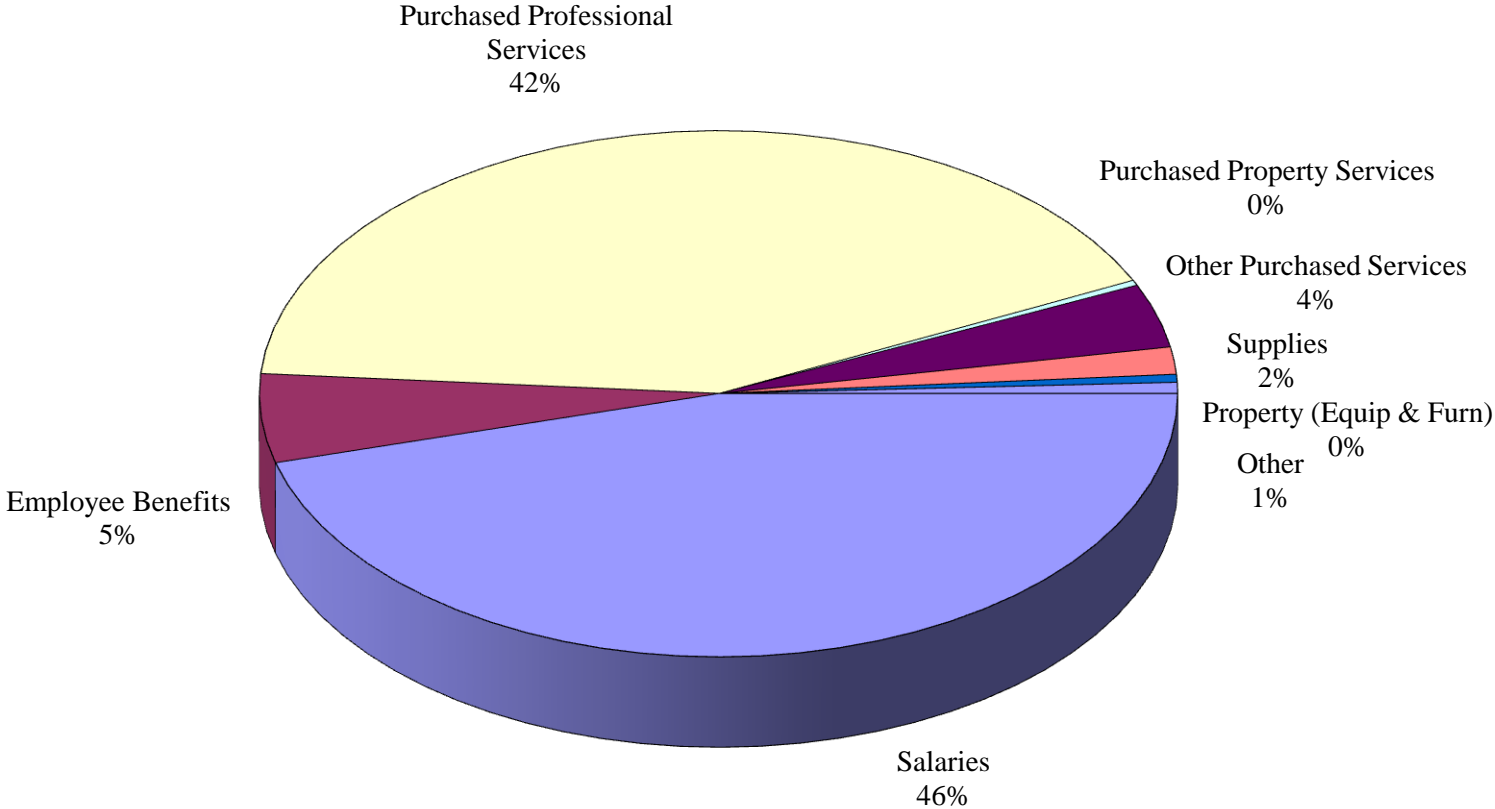


06/30/2014

**SWKEC Interlocal #625
Meade, Kansas
General Fund Expenditures**

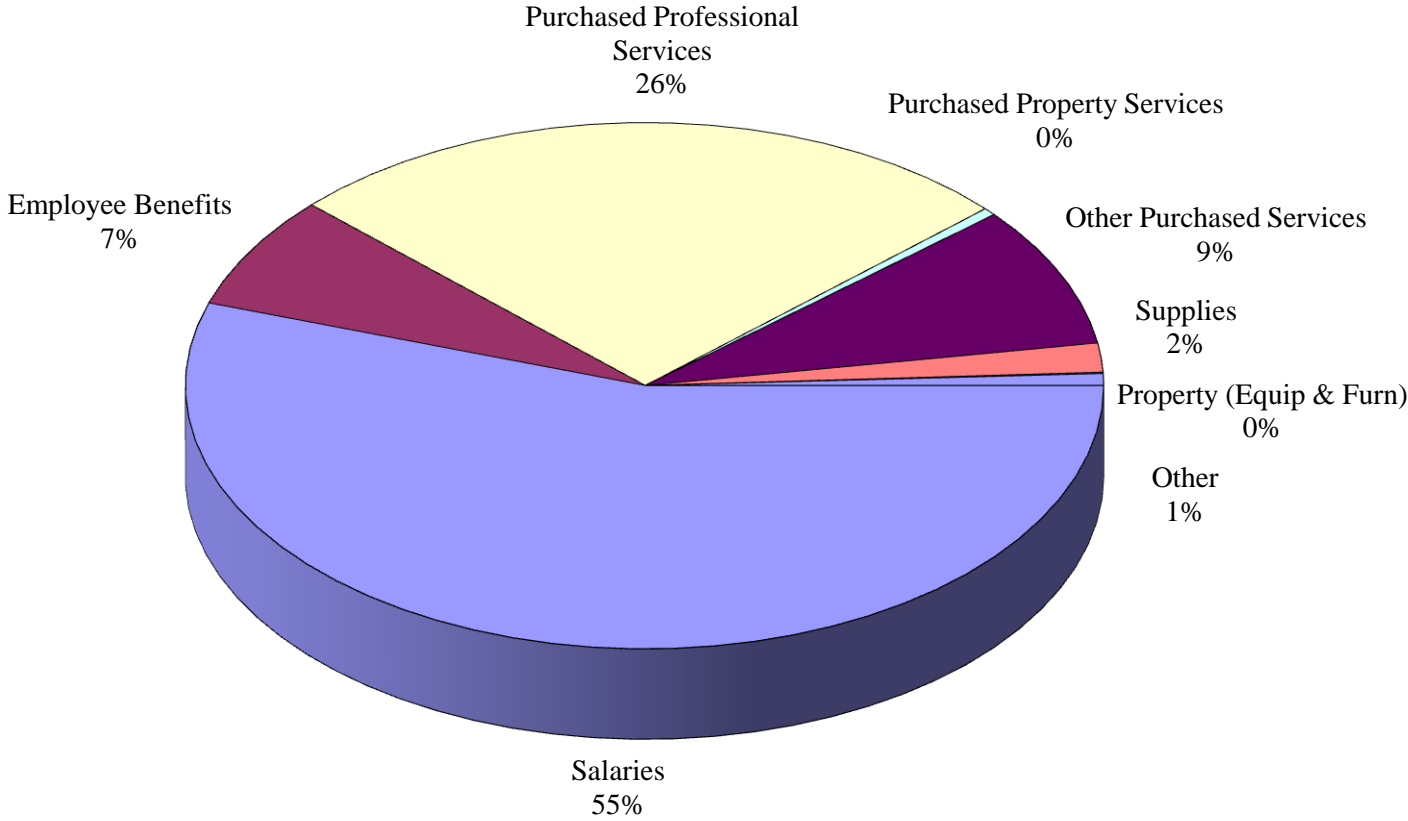


**SWKEC Interlocal #625
Meade, Kansas
General Fund Expenditures**



06/30/2013

**SWKEC Interlocal #625
Meade, Kansas
General Fund Expenditures**



06/30/2014